

NEWSLINE

Savings Plus Program

3rd Quarter 2002

It's Time to Start Thinking About 2003

Now is the time to start thinking about how much you plan to contribute to your Savings Plus account for the 2003 Tax Year. Annual contribution limits have gone up, allowing you to save more tax-deferred dollars. If you are age 50 or older, you are eligible for the additional Age-Based Contribution, which allows you to contribute even more. For most employees, November 29* at 10:00 a.m. (PT) is the deadline to initiate a deferral increase that will take effect January 1. (For employees who receive paychecks on a different schedule, the deadline is later. See the article "When Do Account Changes Take Effect?" for complete details.)

The annual combined contribution limit for 2002 is \$24,000. For 2003, it increases as reflected below:

2003 Contribution Limits

Tax Year	401(k) Elective Contribution Limit	457 Elective Contribution Limit	401(k) Age-Based Contribution Limit	457 Age-Based Contribution Limit	Annual Combined Total
2003	\$12,000	\$12,000	\$2,000	\$2,000	\$28,000

Regular 457 Catch-Up Program

If you currently participate in the regular 457 Catch-Up Program or are considering participating in 2003, you're unable to make the Age-Based Contribution shown above. However, if you have a 401(k) account and you participate in the 457 Catch-Up Program, you can make an Age-Based Contribution to your 401(k) plan.

The chart below shows the annual contribution limit for a 457 plan using the Catch-Up provision for 2003. You can contribute up to twice the annual contribution limit to a 457 plan if you are eligible for Catch-Up. Remember, the Catch-Up portion can't exceed the amount you under-contributed in prior years. To find out if you're eligible for the 457 Catch-Up Program, request the 457 Catch-Up form (DC-3509 07/02).

457 Contribution Limits

Year	457 Elective Contribution Limit	Catch-Up Limit 457 Maximum	Elective Contribution Limit With Catch-Up
2003	\$12,000	\$12,000	\$24,000

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* Because of the Thanksgiving Holiday, the NYSE will close at 1:00 pm (ET) on November 29th.

SPP Adds New Fund to Lineup

We've expanded your choice of large-cap growth funds by adding American Funds' Growth Fund of America (AGTHX) to our portfolio. The other large-cap growth funds we offer are Vanguard U.S. Growth Fund, Janus Twenty Fund, and MFS Massachusetts Investors Growth Stock (sub-account of the Hartford Variable Annuity).

SPP began offering the Growth Fund of America September 2 after completing a competitive bid process. The Fund invests in well-known companies with strong earnings but gives careful consideration to price when making investment decisions.

The Growth Fund of America has shown strong performance, outperforming its relative index benchmark (S&P Barra Growth Index) and a peer group of large-cap growth managers over the 1-, 3-,

and 5-year periods ending March 31, 2002. The Fund's more conservative growth approach makes it a good fit relative to SPP's three large-cap growth equity options.

American Funds Group, third-largest mutual fund company in the nation, is part of the Capital Group Company, Inc. of Los Angeles, California. American Funds Group distributes mutual funds managed by the Capital Research and Management Company.

For more details, consult the Growth Fund of America prospectus. Prospectuses are available by Internet or phone. By phone call our toll-free number at 1-866-566-4777, enter your Social Security number and PIN, press 4, then press 2, and enter Fund 2484. To access the prospectus online, simply log on to your account and select Fund Detail.

You Can Invest Your Leave Payout

Planning to retire soon? If so, you can transfer all or a portion of your lump sum separation payment, up to the annual SPP contribution limits, to your 401(k) and/or 457 plan. Normally if you cash out your unused leave, the payment is taxable, but if you transfer it to an SPP account you won't owe taxes on it until you withdraw the funds.

To make this transfer, submit a *Request to Defer Lump Sum Separation Pay* form, available from your personnel office and our Web site (under Forms and Publications). If you're not currently enrolled in either a 401(k) or 457, call us at 1-866-566-4777 for assistance. Press *0 to speak with a customer service representative. While you must be enrolled to initiate the transfer, it's not necessary to currently be contributing from your paycheck.

Goodbye W-2, Hello 1099-R!

If you receive a payment from your SPP account, you'll notice a change in your 2003 tax forms.

All 2002 distributions for both the 457 and 401(k) plans will now be reported on a 1099-R. In the past, you received a W-2 for 457 distributions and a 1099-R for 401(k) distributions.

The 2002 1099-R forms will be mailed by January 31, 2003. If you don't receive your 1099-R, you may request a copy after February 15.

If you're retired or no longer employed, make sure we have your correct address so your 1099-R arrives on time. If you move, updating your address is easy. Simply call us toll free at 1-866-566-4777 and press *0 to speak to a customer service representative.

VRS Fund Codes

The VRS requires a 4-digit code for an investment option you want to inquire about or change. This list of fund codes is current as of September 2002.

Fund	Code
Accessor Small to Mid-Cap Advisors	2240
CalPERS S&P 500 Index	2750
CalPERS US Intermediate (<i>transfers out only</i>)	2752
CalPERS US Short Term (<i>transfers out only</i>)	2751
Domini Social Equity	2802
Dwight Asset Management (GIC)	2810
Federated Stock Trust	3445
Franklin Balance Sheet Investment	7817
Glenmede Inst International	4350
Growth Fund of America	2484
Hartford Advisors HLS	4250
Hartford Stock HLS	4252
Janus Twenty	5270
Gartmore Investor Destinations (ID):	
ID Aggressive Service Class	9723
ID Conservative Service Class	9719
ID Moderately Aggressive Service Class	9722
ID Moderately Conservative Service Class	9720
ID Moderate Service Class	9721
Savings Pool	2230
T Rowe Price Mid-Cap Growth	7736
VALIC Fixed Interest Option	8965
Vanguard GNMA	8240
Vanguard Total Bond Market Index Instl	8261
Vanguard US Growth	8954
Variable Annuity Hartford Sub Accounts:	
American Century Growth & Income	4237
Franklin Small-Mid Cap Growth	4239
Hartford Bond HLS	4233
Hartford Capital Appreciation HLS	4238
Hartford Index HLS	4234
Hartford Money Market HLS	4231
Hartford Mortgage Securities HLS	4232
Janus Adviser International	4240
Janus Balanced	4230
MFS Capital Opportunities	4235
MFS Mass. Investors Growth Stock	4236
American General Fixed Annuity	
(<i>transfers out only</i>)	4301
Variable Annuity American General Sub Accounts:	
(<i>transfers out only</i>)	
VALIC Asset Allocation fund	4302
VALIC Money Market Index fund	4306
VALIC Stock Index fund	4307
Nationwide Fixed Annuity (<i>transfers out only</i>)	9769
Variable Annuity Nationwide Sub Accounts:	
(<i>transfers out only</i>)	
Gartmore Total Return fund	9800
Gartmore VA Mass. Investors Growth	9801
Gartmore VA Putnam Investors	9802
Gartmore VA Seligman Growth	9803
Self Directed Option	
Schwab PCRA	7272

When Do Account Changes Take Effect?

For deferral changes, you have until 1:00 pm (PT) on the last business day of the month to initiate a change to take effect the following pay period.

Keep in mind the date on your paycheck determines which tax year your SPP contribution counts toward. For most employees, paychecks dated January 1 are for the December pay period, which means that if you want to start the 2003 tax year with a higher deferral amount, the latest you can submit the change is 10:00 am November 29.

For a smaller number of employees, December pay period checks are dated December 31, which means deferral changes submitted in November would still apply to 2002 contributions. If you're one of these employees and want to start the 2003 tax year with a higher deferral amount, you have until 1 pm December 31 to submit the change.

When you make more than one type of change to your account at the same time, it affects when the changes take effect. For example, if you change your allocation only, it takes effect immediately; deductions from your next paycheck will be deposited in your new allocation choice(s). But if you change your allocation **and** deferral amount on the same day, the allocation change will take effect when the deferral change is reflected on your paycheck. That means if you change your deferral **and** allocation on, say, October 23, the new deferral amount will be reflected on the paycheck you get December 1 (for the November pay period) and will be allocated to your new choices.



Making Account Changes: What Do Those Terms Mean?

If you've ever been confused about the various terms for SPP transactions, you're not alone. Here's a refresher on three key terms you need to know when making changes to your account.

Deferral is the amount deducted from your paycheck and deposited in your SPP account. You can change the amount of your deferral at any time.

Allocation refers to where you choose to have those paycheck deferrals deposited. You can change your allocation choices at any time.

Exchange is the term for moving all or some of the assets in your SPP account to a different fund choice. You may "exchange" funds at any time. It's important to remember that when you exchange funds (transfer assets already in your account), it doesn't affect your allocation (where future deferrals are deposited).

Exchange requests completed by the close of the New York Stock Exchange (NYSE) are effective that day. Normally the NYSE closes at 4 pm (ET), 1 pm (PT). After that time or on non-business days, requests are effective the next business day.

Hartford HLS Funds Share Adjustment

Hartford HLS funds will make a one-for-ten adjustment to the Net Asset Value per share of Hartford Advisers HLS and Hartford Stock HLS. This adjustment ensures the Hartford HLS funds are offered at a price similar to retail mutual fund shares to promote price consistency in the marketplace.

If you have assets in the two Hartford HLS funds, this change increases your Net Asset Value per share by ten times, while proportionally reducing the number of shares you own. The adjustment will be effective in the 4th quarter of 2002. Your actual account value will not be affected in any way.

Future SPP Enhancements

We are pleased to announce two new features coming in early 2003.

401(k) payment options: New payment options for the 401(k) will include periodic distributions for a fixed period of time or fixed amount. These will be in addition to the current direct payment and IRA rollover options.

457 loans: General purpose and residential loans will be available for participants who maintain a minimum account balance of \$10,000 in their 457 Plan. This feature will be similar to the current 401(k) loan process. Watch for details in future *NewsLines*.

Review Your Statement

Take a few minutes to review your statement and make sure the information on it is accurate. It's a formal record of the changes you made to your account during the preceding quarter. While we make every effort to ensure the accuracy of your transactions, discrepancies can occur. Your account is considered accurate unless you report any problems to Savings Plus within 30 days of the date your statement was mailed.

Is Your Beneficiary Info Current?

When was the last time you checked who you listed as the beneficiary on your SPP accounts? Perhaps your family status changed (marriage, divorce, new dependents, etc.) and you never got around to changing your beneficiary. Or maybe you never designated anyone.

We now print your beneficiary designation at the end of your statement. (You also can view this information on our Web site).

Take a look, and if you note a discrepancy between who you want designated and what's printed on the statement, submit a Beneficiary Designation Form and we can easily make that change. If no beneficiary is listed, use the same form to designate someone.

Remember, if you have both a 401(k) and a 457 plan, you need to designate a beneficiary for each plan, even if it's the same person.



State of California
Department of
Personnel Administration

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How to Reach Us

Hours

Lobby: 8:00 a.m. - 5:00 p.m.
Phone: 8:30 a.m. - 4:00 p.m.

Web site:

www.sppforu.com

Voice Response System:
(866) 566-4777

TDD:
(916) 327-4266
8-467-4266 (CALNET)

FAX:
(916) 327-1885
8-467-1885 (CALNET)

Beneficiary designation forms are available by Internet or phone. At our Web site, go to Plan Info & Forms, then select Forms and Publications. By phone, call 1-866-566-4777, enter your Social Security number and password, press 4, then press 5. Enter 8006 for a 401(k). Enter 8012 for a 457. Allow 6-10 days for delivery.